

**MOC-FLOYD VALLEY  
COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2012**

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2012  
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**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**

**BOARD MEMBERS AND OFFICIALS**

**June 30, 2012**

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**Board of Education (Before September 15, 2012 Election)**

<u>Name</u>		<u>Term Expires</u>
Deborah De Haan	President	2011
Gerald Van Roekel	Vice President	2013
Dan Duistermars	Board Member	2013
Shane Jager	Board Member	2011
Patti Thayer	Board Member	2011

**Officials**

Gary Richardson	Superintendent	2012
Leann Evenhuis	Board Secretary	2012
Scott Kooiman	Board Treasurer	2012
Stephen F. Avery	Attorney	2012

**Board of Education (After September 15, 2012 Election)**

Gerald Van Roekel	President	2013
Shane Jager	Vice President	2015
Dan Duistermars	Board Member	2013
Bruce Schult	Board Member	2015
Amy Kleinhesselink	Board Member	2015



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## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
MOC-Floyd Valley Community School District  
Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the MOC-Floyd Valley Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-Floyd Valley Community School District as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MOC-Floyd Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Williams & Company, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
October 29, 2012

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## MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS

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MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

General fund revenues increased by approximately 7% from \$13,026,690 in fiscal 2011 to \$13,886,345 in fiscal 2012, while General fund expenditures increased from \$12,404,294 in fiscal 2011 to \$12,816,023 in fiscal 2012, an approximate 3% increase. The district's general fund balance increased from \$1,346,179 in fiscal 2011 to \$2,416,501 in fiscal 2012, an 80% increase.

Due to the current economic climate, the district has been intentional about controlling expenditures and seeking additional funding streams. For the second year in a row, several coaching positions were paid using funding from outside sources.

The District is currently in the 2<sup>nd</sup> year of a sharing agreement with the West Sioux Community School District for shared superintendent and business management services. Expenditures in those areas declined during both the 2011 and 2012 fiscal years, due to payment for those services from the West Sioux Community School District. During fiscal 2012, the district received approximately \$242,000 in sharing incentives from the state.

The District realized increased enrollment of 40 students, but state allowable growth was set at zero percent for the 2012 fiscal year. \$270,463 was received in Education Jobs funding that enabled the district to retain all positions plus hire back three teaching positions that had not been filled when teachers retired at the end of the 2009-10 school year.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which MOC-Floyd Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

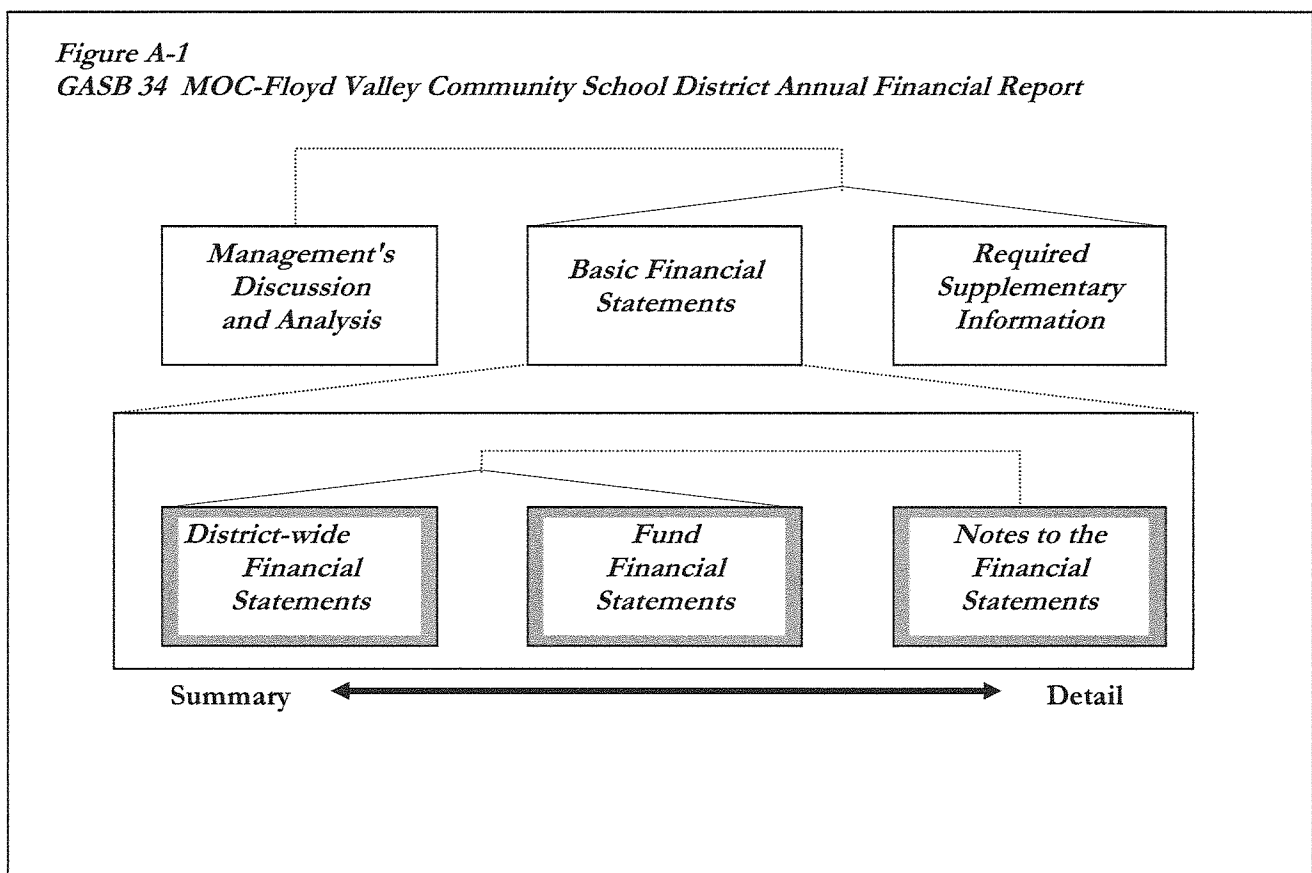


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activity, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary funds include an agency fund for the District's flex cafeteria plan for employees and an agency fund for the District's Band Parent organization.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 and 2012.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total %
	2011	2012	2011	2012	2011	2012	Change
Current & Other Assets	\$9,431,465	\$10,640,949	\$ 211,025	\$ 249,598	\$9,642,490	\$10,890,547	12.9%
Capital Assets	10,693,325	10,458,383	124,068	117,045	10,817,393	10,575,428	-2.2%
<b>Total Assets</b>	<b>20,124,790</b>	<b>21,099,332</b>	<b>335,093</b>	<b>366,643</b>	<b>20,459,883</b>	<b>21,465,975</b>	<b>4.9%</b>
Current Liabilities	7,482,082	7,579,175	42,241	19,717	7,524,323	7,598,892	1.0%
Long-Term Liabilities	1,515,371	835,724	6,675	6,545	1,522,046	842,269	-44.7%
<b>Total Liabilities</b>	<b>8,997,453</b>	<b>8,414,899</b>	<b>48,916</b>	<b>26,262</b>	<b>9,046,369</b>	<b>8,441,161</b>	<b>-6.7%</b>
Net Assets Invested in capital assets, net of related debt	8,545,547	8,978,991	124,068	117,045	8,669,615	9,096,036	4.9%
Restricted	769,185	734,466	-	-	769,185	734,466	-4.5%
Unrestricted	1,812,605	2,970,976	162,109	223,336	1,974,714	3,194,312	61.8%
<b>Total Net Assets</b>	<b>\$11,127,337</b>	<b>\$ 12,684,433</b>	<b>\$ 286,177</b>	<b>\$ 340,381</b>	<b>\$ 11,413,514</b>	<b>\$13,024,814</b>	<b>14.1%</b>

The District's total net assets increased by 14.1% or \$1,611,300 over the prior year. The largest portion of the District's net assets is the investment in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

For fiscal 2012, long term liabilities showed a decrease of approximately 44.7% due to payments on the SILO revenue bonds, which will be fully paid in fiscal 2015.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased by \$34,719 or 4.5% from the prior year. The decline was primarily a result of a decrease in the PPEL fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$1,219,598 or 61.8%. This increase is largely due to a significant increase in General Fund fund balance.

This increase was realized because of funding for increased enrollment, Education Jobs funding and the state sharing incentives.

Figure A-4 shows the change in net assets from the years ending June 30, 2011 and 2012.

**Figure A-4 Changes in Net Assets from Operations**

	Governmental Activities		Business-type Activities		Total District		Total %
	2011	2012	2011	2012	2011	2012	Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 890,704	\$ 1,031,791	\$ 435,545	\$ 446,981	\$ 1,326,249	\$ 1,478,772	11.5%
Operating Grants and Contributions	2,257,074	2,288,579	247,548	275,902	2,504,622	2,564,481	2.4%
Capital Grants and Contributions	1,907	-	-	-	1,907	-	-100.0%
General Revenues:							
Property Tax	5,172,014	4,865,361	-	-	5,172,014	4,865,361	-5.9%
Instructional Support Surtax	573,577	626,228	-	-	573,577	626,228	9.2%
Local Option Sales Tax	1,076,396	1,168,046	-	-	1,076,396	1,168,046	8.5%
Unrestricted State Grants	5,204,691	5,931,922	-	-	5,204,691	5,931,922	14.0%
Unrestricted Investment Earnings	45,026	62,045	3,780	5,416	48,806	67,461	38.2%
Gain on Disp of Assets	-	3,600	-	-	-	-	-
Other	55,292	52,272	2,963	2,870	58,255	55,142	-5.3%
Transfers	8,870	-	(8,870)	-	-	-	-
<b>Total Revenues</b>	<b>15,285,551</b>	<b>16,029,844</b>	<b>680,966</b>	<b>731,169</b>	<b>15,966,517</b>	<b>16,761,013</b>	<b>5.0%</b>
Program Expenses							
Instruction	9,641,885	9,812,297	-	-	9,641,885	9,812,297	1.8%
Support Services	3,561,574	3,736,760	-	-	3,561,574	3,736,760	4.9%
Non-instructions Programs	797	35,160	632,178	676,965	632,975	712,125	12.5%
Other Expenses	939,886	888,531	-	-	939,886	888,531	-5.5%
<b>Total Expenses</b>	<b>14,144,142</b>	<b>14,472,748</b>	<b>632,178</b>	<b>676,965</b>	<b>14,776,320</b>	<b>15,149,713</b>	<b>2.5%</b>
<b>Change in Net Assets</b>	<b>\$ 1,141,409</b>	<b>\$ 1,557,096</b>	<b>\$ 48,788</b>	<b>\$ 54,204</b>	<b>\$ 1,190,197</b>	<b>\$1,611,300</b>	<b>35.4%</b>

Property tax, local option sales tax, and unrestricted state grants account for 75.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89.4% of the total expenses.

### Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

**Figure A-5 Net Cost of Governmental Activities**

	Total Cost of Services		%	Net Cost of Services		%
	2011	2012	Change	2011	2012	Change
Instruction	\$ 9,641,885	\$9,812,297	1.8%	\$7,244,600	\$ 7,234,011	-.1%
Support Services	3,561,574	3,736,760	4.9%	3,412,873	3,587,102	5.1%
Non-instructional	797	35,160	4311.5%	436	-	-100.0%
Other	939,886	888,531	-5.5%	336,548	331,265	-1.6%
<b>Total</b>	<b>\$14,144,142</b>	<b>\$14,472,748</b>	<b>2.3%</b>	<b>\$10,994,457</b>	<b>\$11,152,378</b>	<b>1.4%</b>

- The cost financed by users of the District's programs was \$1,031,791, an increase of \$141,087 from the previous year.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,288,579, an increase of \$29,598 from the prior year.
- The net cost of governmental activities was financed with \$6,659,635 in property and other taxes and \$5,931,922 in unrestricted state grants.

### **Business Type Activities**

Revenues of the District's business type activity were \$731,169 and expenses were \$676,965. The District's business type activity includes the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income. The district provides breakfast and noon meals to the local day care program and receives revenue from that entity for these services.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,029,137, an increase over last year's ending fund balances of \$2,029,314. The balance reflects an increase of \$1,070,322 in the General Fund fund balance, and a decrease of \$70,499 in the Other Governmental Funds fund balances.

### **Governmental Fund Highlights**

- The increase in the District's General Fund financial position is the result of increased enrollment, Education Jobs funding and continuation of the sharing agreement with the West Sioux Community School District for shared superintendent and business management services. The sharing agreement cut expenditures in those areas for the duration of the sharing agreement and brought in approximately \$242,000 in new funding for the 2012 fiscal year due to state incentives for sharing. The District received approximately \$270,000 in one time Education Jobs funding to retain or rehire positions that had previously been cut. For the second year is a row, several assistant coaching positions were paid with funding from outside sources.

- The District has had a 60 cent voter approved PPEL levy for the past 10 years. This levy expired at the end of the 2010-11 fiscal year and wasn't renewed due to the Statewide Sales, Services and Use Tax Revenue that is now in place. Expenditures that were paid from the Voter Approved PPEL funding are now being paid from the Statewide Sales, Services and Use Tax Revenue. The June 2012 fund balance in the Other Governmental Funds decreased by \$70,499. This was largely due to the decreased balance in the PPEL Fund.

## Proprietary Fund Highlights

The School Nutrition Fund net assets increased significantly from \$286,177 at June 30, 2011 to \$340,381 at June 30, 2012. Lunch prices increased by five cents per meal, as mandated by the National School Lunch Program, while breakfast prices remained the same. Sales of services to the Day Care increased as did the National School Lunch Program revenue.

The District initiated a Split Funding program for its health insurance needs during the 2011 fiscal year. A \$2,000 deductible health insurance policy was purchased from Wellmark. The district then self funds the deductible down to the \$500 or \$1,000 deductible plans that are offered to district employees. Revenues increased by \$12,181 from \$162,967 in fiscal 2011 to \$175,148 in fiscal 2012. Expenditures also increased by \$38,778 or 56%, from \$69,043 in fiscal 2011 to \$107,821 in fiscal 2012. The increase in expenditures is attributable to increased usage. After the first year, a savings of \$93,924 was realized and after the second year, the savings totaled \$161,251. This savings will be used to address future health insurance premium increases.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the accrual basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$21,115,530 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for governmental funds for the year was \$585,514 and \$14,325 for Food Service Operations.

Figure A-6 Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total %
	2011	2012	2011	2012	2011	2012	Change
Land	\$ 337,624	\$ 337,624	\$ -	\$ -	\$ 337,624	\$ 337,624	0.0%
Buildings	16,416,511	16,416,511	-	-	16,416,511	16,416,511	0.0%
Improvements other than buildings	758,867	758,867	-	-	758,867	758,867	0.0%
Furniture and Equipment	3,132,452	3,416,204	181,596	186,324	3,314,048	3,602,528	8.7%
Total Assets	\$ 20,645,454	\$ 20,929,206	\$ 181,596	\$ 186,324	\$ 20,827,050	\$ 21,115,530	1.4%

## **Long-Term Debt**

At year end, the District had \$1,461,279 in LOST revenue bonds outstanding, \$24,565 in compensated absences, \$18,113 in lease obligations and \$22,491 in net OPEB liability. This is a decrease of \$648,331 from the prior year, largely due to repayment of the LOST revenue bonds and the sun setting of the Early Retirement Policy for Teachers and Administrators, effective at the conclusion of the fiscal 2011 school year.

Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District enrollment for 2011-12 decreased significantly. This will have a negative impact on the 2012-13 budget. However, the enrollment remains stable for the 2012-13 school year.
- Allowable growth was set at 2 percent for the 2012-13 fiscal year, but has not yet been set for the 2013-14 fiscal year.
- The district received \$270,463 in Education Jobs funding. This funding was used during the 2011-12 school year to hire back to the positions vacated by teachers who retired after the 2009-10 and 2010-11 school years. This is one time funding so the lack of it will affect future budgets.
- An operational sharing arrangement began during the 2010-11 fiscal year with the sharing of services for the superintendent and business management. The district realized a decrease in expenditures during the 2011 and 2012 fiscal years because of the shared positions. In addition, due to state sharing incentives, state funding for operational sharing increased revenues for the 2011-12 budget by approximately \$242,000 and will increase revenue by approximately \$194,000 for the 2012-13 budget year. The district will continue the sharing arrangement during the 2012-13 fiscal year with the sharing of business management services only.
- There continues to be some economic expansion in the community. Quatro Industries announced an expansion with the possible addition of 100 jobs. However, Advanced Pierre, another manufacturing company is closing its doors this fall, which could affect enrollment in the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leann Evenhuis, District Secretary and Business Manager, MOC-Floyd Valley Consolidated School District, 1301 8<sup>th</sup> Street SE, Orange City Iowa 51041.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities	Business Type Activity	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 4,365,869	\$ 216,664	\$ 4,582,533
Receivables:			
Property Tax	35,999	-	35,999
Succeeding Year Property Tax	5,144,050	-	5,144,050
Income Surtax	565,216	-	565,216
Accounts	29,579	10,404	39,983
Due from Other Governments	435,535	-	435,535
Restricted Assets:			
Cash and Pooled Investments	61,718	-	61,718
Inventories	-	22,530	22,530
Bond Issue Costs	2,983	-	2,983
Land	337,624	-	337,624
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	10,120,759	117,045	10,237,804
Total Assets	21,099,332	366,643	21,465,975
<b>LIABILITIES</b>			
Accounts Payable	455,545	1,596	457,141
Salaries and Benefits Payable	1,282,767	3,879	1,286,646
Accrued Interest Payable	6,089	-	6,089
Unearned Revenue	-	14,242	14,242
Deferred Revenue - Succeeding Year Taxes	5,144,050	-	5,144,050
Noncurrent Liabilities:			
Due Within One Year:			
Lease Obligations Payable	8,515	-	8,515
Bonds Payable	682,209	-	682,209
Due in More Than One Year:			
Lease Obligations Payable	9,598	-	9,598
Accrued Compensated Absences	24,565	6,545	31,110
Bonds Payable	779,070	-	779,070
Net OPEB Liability	22,491	-	22,491
Total Liabilities	8,414,899	26,262	8,441,161
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	8,978,991	117,045	9,096,036
Restricted for:			
Categorical Funding	127,919	-	127,919
Debt Service	55,629	-	55,629
Management Levy	133,978	-	133,978
Physical Plant and Equipment Levy	3,671	-	3,671
School Infrastructure	268,683	-	268,683
Other Special Purposes	144,586	-	144,586
Unrestricted	2,970,976	223,336	3,194,312
Total Net Assets	\$ 12,684,433	\$ 340,381	\$ 13,024,814

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 6,943,413	\$ 448,866	\$ 1,222,512	\$ -
Special Instruction	1,673,951	107,357	372,867	-
Other Instruction	1,194,933	389,692	36,992	-
Support Services:				
Student Services	508,076	6,390	-	-
Instructional Staff Services	398,961	5,207	-	-
Administration Services	1,149,922	17,338	-	-
Operation and Maintenance	1,111,152	17,348	-	-
Transportation Services	568,649	4,433	98,942	-
Non-instructional Programs	35,160	35,160	-	-
Other Expenditures:				
Facilities Acquisition and Construction Services	236,933	-	-	-
Long-term Debt Interest	94,332	-	-	-
AEA Flowthrough	557,266	-	557,266	-
Total governmental activities	<u>14,472,748</u>	<u>1,031,791</u>	<u>2,288,579</u>	<u>-</u>
<b>Business Type Activity:</b>				
Non-instructional Programs				
Food Service Operations	<u>676,965</u>	<u>446,981</u>	<u>275,902</u>	<u>-</u>
Total	<u>\$ 15,149,713</u>	<u>\$ 1,478,772</u>	<u>\$ 2,564,481</u>	<u>-</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Gain on Disposal of Assets				
Other				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
\$ (5,272,035)		\$ (5,272,035)
(1,193,727)		(1,193,727)
(768,249)		(768,249)
(501,686)		(501,686)
(393,754)		(393,754)
(1,132,584)		(1,132,584)
(1,093,804)		(1,093,804)
(465,274)		(465,274)
-		-
(236,933)		(236,933)
(94,332)		(94,332)
-		-
(11,152,378)		(11,152,378)
	\$ 45,918	45,918
(11,152,378)	45,918	(11,106,460)
4,711,865	-	4,711,865
153,496	-	153,496
626,228	-	626,228
1,168,046	-	1,168,046
5,931,922	-	5,931,922
62,045	5,416	67,461
3,600	-	3,600
52,272	2,870	55,142
12,709,474	8,286	12,717,760
1,557,096	54,204	1,611,300
11,127,337	286,177	11,413,514
\$ 12,684,433	\$ 340,381	\$ 13,024,814

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 3,799,869	\$ 397,194	\$ 4,197,063
Receivables:			
Property Tax	33,013	2,986	35,999
Succeeding Year Property Tax	4,677,751	466,299	5,144,050
Income Surtax	565,216	-	565,216
Accounts	17,392	12,187	29,579
Due from Other Governments	237,462	198,073	435,535
Restricted Assets:			
Cash and Pooled Investments	-	61,718	61,718
Total Assets	<u>9,330,703</u>	<u>1,138,457</u>	<u>10,469,160</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	388,468	59,522	447,990
Salaries and Benefits Payable	1,282,767	-	1,282,767
Deferred Revenue - Succeeding Year Taxes	4,677,751	466,299	5,144,050
Deferred Revenue - Income Surtax	565,216	-	565,216
Total Liabilities	<u>6,914,202</u>	<u>525,821</u>	<u>7,440,023</u>
Fund Balances:			
Restricted for:			
Categorical Funding	127,919	-	127,919
Debt Service	-	61,718	61,718
Management Levy	-	133,978	133,978
Student Activities	-	144,586	144,586
School Infrastructure	-	268,683	268,683
Physical Plant and Equipment	-	3,671	3,671
Unassigned	2,288,582	-	2,288,582
Total Fund Balances	<u>2,416,501</u>	<u>612,636</u>	<u>3,029,137</u>
Total Liabilities and Equity	<u>\$ 9,330,703</u>	<u>\$ 1,138,457</u>	<u>\$ 10,469,160</u>

See Accompanying Notes to Financial Statements

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 3,029,137
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,458,383
An internal service fund is used by management to fund and maintain the District's partially self-insured prescription drug plan provided to user departments and is included in the statement of net assets.	161,251
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,089)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	2,983
Unearned revenues from the balance sheet that provide current financial resources for governmental activities.	565,216
Accrued compensated absences not reported on the modified accrual basis.	(24,565)
Long-term liabilities, including bonds payable, lease obligations payable, early retirement payable, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,501,883)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 12,684,433</u></u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUE:</b>			
Local Sources:			
Local Tax	\$ 5,093,370	\$ 1,586,943	\$ 6,680,313
Tuition	306,496	-	306,496
Other	293,078	401,830	694,908
State Sources	7,484,325	256	7,484,581
Federal Sources	709,076	-	709,076
Total Revenue	<u>13,886,345</u>	<u>1,989,029</u>	<u>15,875,374</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular Instruction	6,376,340	215,984	6,592,324
Special Instruction	1,660,435	-	1,660,435
Other Instruction	754,400	374,332	1,128,732
Support Services:			
Student Services	379,577	124,473	504,050
Instructional Staff Services	413,858	16,945	430,803
Administration Services	1,103,375	29,265	1,132,640
Operation and Maintenance	984,844	117,600	1,102,444
Transportation Services	551,173	112,306	663,479
Non-instructional Programs	34,755	-	34,755
Other Expenditures:			
Facilities Acquisition and Construction Services	-	304,694	304,694
Long-term Debt:			
Principal	-	668,385	668,385
Interest and Fiscal Charges	-	95,544	95,544
AEA Flowthrough	557,266	-	557,266
Total Expenditures	<u>12,816,023</u>	<u>2,059,528</u>	<u>14,875,551</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,070,322</u>	<u>(70,499)</u>	<u>999,823</u>
Other Financing Sources (Uses):			
Transfers In	-	763,929	763,929
Transfers Out	-	(763,929)	(763,929)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,070,322	(70,499)	999,823
Fund Balances - Beginning of Year	<u>1,346,179</u>	<u>683,135</u>	<u>2,029,314</u>
Fund Balances - End of Year	<u>\$ 2,416,501</u>	<u>\$ 612,636</u>	<u>\$ 3,029,137</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$	999,823
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 353,342	
Depreciation expense	<u>(585,514)</u>	(232,172)

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(2,770)
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Accrued interest expense that does not require current financial resources.	2,701
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	(20,678)
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net income of the internal service funds is reported with governmental activities.	67,327
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		187,409
Net OPEB Liability		(7,497)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	(1,490)
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Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:	(3,580)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	648,331	
Notes payable	12,500	
Lease obligations payable	<u>7,555</u>	<u>668,386</u>

Change in net assets of governmental activities (page 15)	\$	<u><u>1,657,459</u></u>
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**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Pooled Investments	\$ 216,664	\$ 168,806
Inventories	22,530	-
Receivables:		
Accounts	10,404	-
Total Current Assets	<u>249,598</u>	<u>168,806</u>
<b>Noncurrent Assets:</b>		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	117,045	-
Total Noncurrent Assets	<u>117,045</u>	<u>-</u>
Total Assets	<u>366,643</u>	<u>168,806</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	1,596	7,555
Salaries and Benefits Payable	3,879	-
Unearned Revenue	14,242	-
Total Current Liabilities	<u>19,717</u>	<u>7,555</u>
<b>Noncurrent Liabilities:</b>		
Accrued Compensated Absences	6,545	-
Total Noncurrent Liabilities	<u>6,545</u>	<u>-</u>
Total Liabilities	<u>26,262</u>	<u>7,555</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	117,045	-
Unrestricted	223,336	161,251
Total Net Assets	<u>\$ 340,381</u>	<u>\$ 161,251</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Business Type Activity School Nutrition Fund</u>	<u>Governmental Activities Internal Service</u>
Operating Revenues:		
Charges for services	\$ 446,981	\$ 172,630
Miscellaneous	2,870	-
Total Operating Revenue	<u>449,851</u>	<u>172,630</u>
Operating Expenditures:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	240,933	-
Benefits	46,991	-
Purchased Services	9,966	-
Supplies	358,374	-
Other	3,941	-
Depreciation	14,325	-
Loss on Disposal of Capital Assets	2,435	-
Other Enterprise Operations:		
Benefits	-	91,438
Purchased Services	-	16,383
Total Operating Expenses	<u>676,965</u>	<u>107,821</u>
Operating Income (Loss)	<u>(227,114)</u>	<u>64,809</u>
Non-Operating Revenues :		
Interest Income	5,416	2,518
State Lunch Reimbursements	6,083	-
National School Lunch Program	222,914	-
Federal Food Commodities Received	46,905	-
Total Non-Operating Revenues	<u>281,318</u>	<u>2,518</u>
Change in net assets	54,204	67,327
Net Assets - beginning	<u>286,177</u>	<u>93,924</u>
Net Assets - ending	<u><u>\$ 340,381</u></u>	<u><u>\$ 161,251</u></u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Business Type Activity School Nutrition Fund</b>	<b>Governmental Activities Internal Service</b>
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	\$ 452,967	\$ -
Cash received from miscellaneous operating activities	2,870	172,630
Cash paid to employees for services	(289,433)	-
Cash paid to suppliers for goods or services	(349,261)	(105,070)
Total cash provided (used) by operating activities	<u>(182,857)</u>	<u>67,560</u>
<b>Cash flows from noncapital financing activities:</b>		
State grants received	6,083	-
Federal grants received	222,914	-
Total cash provided by noncapital financing activities	<u>228,997</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	<u>(9,737)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	<u>5,416</u>	<u>2,518</u>
Net increase in cash and cash equivalents	41,819	70,078
Cash and cash equivalents - beginning of year	<u>174,845</u>	<u>98,728</u>
Cash and cash equivalents - end of year	<u><u>216,664</u></u>	<u><u>168,806</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>		
Operating income (loss)	(227,114)	64,809
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation expense	14,325	-
Commodities used	46,905	-
Loss on disposal of capital assets	2,435	
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts Receivable	5,626	-
Inventories	(2,380)	-
Accounts Payable	(21,505)	2,751
Salaries and Benefits Payable	(1,379)	-
Compensated Absences Payable	(130)	-
Unearned Revenue	<u>360</u>	<u>-</u>
Net cash provided (used) in operating activities	<u><u>\$ (182,857)</u></u>	<u><u>\$ 67,560</u></u>
<b>Non-cash investing, capital and financing activities:</b>		
Federal food commodities received	<u><u>\$ 46,905</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements



**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2012**

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	<u><b>2012</b></u>
Cash and Temporary Cash Investments	\$ 121,118
Total Assets	<u>121,118</u>
Liabilities:	
Other Payables	<u>121,118</u>
Net Assets	<u><u>\$ -</u></u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

**B. Basic Financial Statements- Government-Wide Statements**

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity. The District's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs. Certain expenses of the District are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**C. Fund Financial Statements**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

**GOVERNMENTAL FUND TYPES**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The following are the District's fiduciary funds:

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Flex Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

Band Parents Agency Fund – This fund is used to account for assets held by the District as an agent for this private organization.

The District reports the following major governmental fund:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

**D. Basis of Accounting/Measurement Focus**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restricted classifications – committed, assigned, and then unassigned fund balances.

**E. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees can accumulate a limited amount of earned but unused sick pay for subsequent use or for partial payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on a flat dollar amount per day. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

**F. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions; however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District had no investments as of June 30, 2012 meeting the definition of GASB Statement 40.

**NOTE 3 – INTERFUND TRANSFERS**

The detail of short-term interfund transfers for the year ended June 30, 2012 is as follows:

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>
Debt Service	Capital Project – LOST	\$ 753,111
Debt Service	Special Revenue - Physical Plant and Equipment	10,818
		<u>\$ 763,929</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 337,624	\$ -	\$ -	\$ 337,624
Total capital assets not being depreciated	337,624	-	-	337,624
Capital assets being depreciated:				
Buildings	16,416,511	-	-	16,416,511
Improvements other than buildings	758,867	-	-	758,867
Furniture and equipment	3,132,452	353,342	69,590	3,416,204
Total capital assets being depreciated	20,307,830	353,342	69,590	20,591,582
Less: Accumulated Depreciation for:				
Buildings	7,478,382	354,357	-	7,832,739
Improvements other than buildings	604,458	26,543	-	631,001
Furniture and equipment	1,869,289	204,614	66,820	2,007,083
Total Accumulated Depreciation	9,952,129	585,514	66,820	10,470,823
Total capital assets being depreciated, net	10,355,701	(232,172)	2,770	10,120,759
Governmental activities capital assets, net	\$ 10,693,325	\$ (232,172)	\$ 2,770	\$ 10,458,383

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 181,596	\$ 9,737	\$ 5,009	\$ 186,324
Less: Accumulated Depreciation	57,528	14,325	2,574	69,279
Business-type activities capital assets, net	\$ 124,068	\$ (4,588)	\$ 2,435	\$ 117,045

Depreciation expense was charged to the functions as follows:

<b>Governmental Activities:</b>	
Regular Instruction	\$ 371,206
Special Instruction	3,323
Other Instruction	61,820
Instructional Staff Services	22,492
Administration Services	7,416
Operation and Maintenance	54,147
Transportation Services	65,110
Total depreciation expenses – governmental activities	\$ 585,514
<b>Business-type activities:</b>	
Food Service Operations	\$ 14,325

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

**Reconciliation of Invested in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
Land	\$ 337,624	\$ -
Capital Assets (net of accumulated depreciation)	10,120,759	117,045
Less: Bonds Payable	1,461,279	-
Lease Obligation	18,113	-
	<u>\$ 8,978,991</u>	<u>\$ 117,045</u>
Invested in Capital Assets, Net of Related Debt		

**NOTE 5 – OTHER POST EMPLOYMENT BENEFITS**

*Plan Description.* The District operates a single-employer retiree benefit plan. An employee who has a minimum of 10 years of service and reached age 55 are able to obtain group health insurance through the District's health insurance plan until they reach the age of 65. Premiums are based on the full active employee premium rate.

*Funding Policy.* The District's eligible retirees currently finance the retiree benefit plan on a pay-as-you-go basis.

*Annual OPEB Cost and NET OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 17,500
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	17,500
Estimated contributions made	(10,003)
Increase in net OPEB obligation	7,497
Net OPEB obligation – beginning of year	14,994
Net OPEB obligation – end of year	<u>\$ 22,491</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the estimated contributions for the year ended June 30, 2012.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$ 17,500	42.84%	\$ 22,491
2011	\$ 17,500	42.84%	\$ 14,994
2010	\$ 17,500	42.84%	\$ 7,497

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$190,458, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$190,458. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$6,500,000 and the ratio of the UAAL to covered payroll was 2.93%. As of June 30, 2012, there were no trust fund assets.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries and adjusted to reflect the recent lower termination rates experienced by the District.

Projected claim costs of the medical plan are \$648 per month for retirees less than age 65. No coverage is assumed after age 65. Assumptions do not include any growth or decline in payroll per annum. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis for 30 years.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 6 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 2,109,610	\$ -	\$ 648,331	\$ 1,461,279	\$ 682,209
Lease Obligation	25,668	-	7,555	18,113	8,515
Note Payable	12,500	-	12,500	-	-
Early Retirement	187,409	-	187,409	-	-
Compensated Absences	20,985	5,870	2,290	24,565	-
Net OPEB Liability	14,994	7,497	-	22,491	-
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 2,371,166</b>	<b>\$ 13,367</b>	<b>\$ 858,085</b>	<b>\$ 1,526,448</b>	<b>\$ 690,724</b>

**Revenue Bonds**

The District has pledged future statewide sales, services, and use tax revenues to repay the revenue bonds issued in fiscal years 2005 and 2006. The statewide sales, services, and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services, and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require the majority of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the note is \$1,542,940. For the current year, \$740,611 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,168,046.

The resolution providing for the issuance of the statewide sales, services, and use tax revenue bonds includes the following provisions:

1. The proceeds from the issuance of the revenue bonds shall be deposited to the Project Account.
2. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Capital Project Statewide Sales, Services, and Use Tax fund.
4. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2012.

Revenue bonds as of June 30, 2012 are as follows:

<b><u>Purpose</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amounts</u></b>
Governmental Activities – Statewide Sales, Services, and Use Tax Revenue Bonds	5.0%	<u>\$ 1,461,279</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 682,209	\$ 58,402
2014	717,608	23,003
2015	61,462	256
Total	<u>\$1,461,279</u>	<u>\$ 81,661</u>

**Capital Leases**

The District has entered into lease agreements as lessee for financing the acquisition of various copy machines and band instruments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Furniture and Equipment	\$ 42,335
Less: Accumulated Depreciation	<u>12,348</u>
Total	<u>\$ 29,987</u>

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2012.

Year Ending June 30	Principal	Interest	Total
2013	\$ 8,515	\$ 2,303	\$ 10,818
2014	9,598	1,220	10,818
Minimum Lease Payments			21,636
Less: Amount Representing Interest			<u>(3,523)</u>
Present Value of Minimum Lease Payments			<u>\$ 18,113</u>

**Note Payable**

The District entered into a note payable in connection with the purchase of land during the year ended June 30, 2009. The note was issued at 0% interest and payable in four annual installments and was paid in full during the year ended June 30, 2012.

**Early Retirement**

The District suspended their early retirement plan during the year ended June 30, 2012.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 7 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$648,723, \$559,394 and \$534,503, respectively equal to the required contributions for each year.

**NOTE 8 – RISK MANAGEMENT**

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 9 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$557,266 for the year ended June 30, 2012 and is recorded in the General Fund.

**NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN**

The District's Split Funding Health Insurance Fund was established during fiscal year 2011 to account for the partial self-funding of the District's prescription drug benefit and health insurance plans. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The District assumed liability for co-pay amounts of \$5 to \$20 for prescription drugs and \$500 to \$1,000 for health insurance depending on the coverage selected by the employee.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

Claims Payable at June 30, 2011	\$ 4,804
Claims Paid	(88,687)
Claims Incurred	91,438
Claims Payable at June 30, 2012	<u>\$ 7,555</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 11 – CATEGORICAL FUNDING**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Four-year-old Preschool State Aid	\$ 37,945
Professional Development for Model Care Curriculum	31,544
Property Tax and State Aid Financed Weighted Limited English	
Proficient (LEP) and SBRC Modified Growth for LEP	52,961
Teacher Salary Supplement	<u>5,469</u>
	<u>\$ 127,919</u>

## REQUIRED SUPPLEMENTARY INFORMATION



**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES,**  
**BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Governmental</b>	<b>Proprietary</b>	<b>Total</b>	<b>Final to</b>
	<b>Original</b>	<b>Final</b>	<b>Funds</b>	<b>Fund</b>	<b>Actual</b>	<b>Actual</b>
			<b>Actual</b>	<b>Actual</b>		<b>Variance</b>
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 5,426,995	\$ 5,426,995	\$ 6,680,313	\$ -	\$ 6,680,313	\$ 1,253,318
Tuition	242,500	242,500	306,496	-	306,496	63,996
Other	2,165,735	2,165,735	694,908	455,267	1,150,175	(1,015,560)
State Sources	7,658,863	7,658,863	7,484,581	6,083	7,490,664	(168,199)
Federal Sources	632,499	632,499	709,076	269,819	978,895	346,396
Total Revenue	16,126,592	16,126,592	15,875,374	731,169	16,606,543	479,951
<b>EXPENDITURES:</b>						
Current:						
Instruction	12,025,310	12,025,310	9,381,491	-	9,381,491	2,643,819
Support Services	4,228,628	4,228,628	3,833,416	-	3,833,416	395,212
Non-instructional Programs	938,895	938,895	34,755	676,965	711,720	227,175
Other Expenditures	2,040,149	2,040,149	1,625,889	-	1,625,889	414,260
Total Expenditures	19,232,982	19,232,982	14,875,551	676,965	15,552,516	3,680,466
Excess (Deficiency) of Revenues Over Expenditures	(3,106,390)	(3,106,390)	999,823	54,204	1,054,027	4,160,417
Other Financing Sources (Uses):						
Transfers In	763,927	763,927	763,929	-	763,929	2
Transfers Out	(753,111)	(753,111)	(763,929)	-	(763,929)	(10,818)
Total Other Financing Sources (Uses)	10,816	10,816	-	-	-	(10,816)
Net Change in Fund Balances	(3,095,574)	(3,095,574)	999,823	54,204	1,054,027	4,149,601
Fund Balances - Beginning of Year	2,315,491	2,315,491	2,029,314	286,177	2,315,491	-
Fund Balances - End of Year	\$ (780,083)	\$ (780,083)	\$ 3,029,137	\$ 340,381	\$ 3,369,518	\$ 4,149,601

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2012**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2012, the District had no budget amendments.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,000,000	3.17%
2011	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,000,000	3.17%
2012	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,500,000	2.93%

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 1

**REVENUES:**

Local Sources:

Local Tax:

Property Tax	\$ 4,377,210
Mobile Home Tax	3,057
Utility Tax Replacement Excise Tax	66,197
Surtax	646,906
	<u>5,093,370</u>

Other Local Sources:

Interest on Investments	53,290
Tuition from Individuals	43,425
Tuition from Other Districts	263,071
Rent	9,669
Miscellaneous	230,119
	<u>599,574</u>
	<u>5,692,944</u>

State Sources:

State Foundation Aid	5,637,532
State Foundation Aid - Statewide Voluntary Preschool	282,384
Professional Development for Model Core Curriculum	24,874
Teacher Development Academies	9,593
Professional Development	58,526
Non-Public Transportation Aid	98,942
Non-Public Textbook and Technology Aid	11,871
Teacher Salary Supplement	692,123
Vocational Education Aid	12,376
Revenue in lieu of taxes - military credit	2,825
AEA Flow-Through	557,266
Iowa Early Intervention Block Grant	78,952
Other State Aid	17,061
	<u>7,484,325</u>

Federal Sources:

Title I Grants to Local Educational Agencies	117,407
Title III English Language Acquisition State Grants	7,307
Vocational Education - Basic Grants to States	12,745
Special Education - Grants to States	90,166
Improving Teacher Quality State Grants	44,070
Grants for Assessments and Related Activities	8,931
Medicaid	157,987
Education Jobs Fund	270,463
	<u>709,076</u>

Total Revenue	<u>\$</u>	<u>13,886,345</u>
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Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 1

**EXPENDITURES:**

**Instruction:**

Regular Instruction:

Salaries	\$ 4,404,481
Benefits	1,232,879
Services	520,856
Supplies	184,677
Property	33,447
	<u>6,376,340</u>

Special Education Instruction:

Salaries	1,098,629
Benefits	270,586
Services	277,177
Supplies	7,142
Property	6,901
	<u>1,660,435</u>

Vocational Instruction:

Salaries	310,650
Benefits	83,717
Services	1,746
Supplies	14,477
Property	10,462
	<u>421,052</u>

Co-curricular Instruction:

Salaries	251,415
Benefits	46,616
Services	23,446
	<u>321,477</u>

Nonpublic Instruction:

Supplies	11,871
	<u>11,871</u>

<b>Total Instruction</b>	<b>\$ 8,791,175</b>
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Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 1

**Support Services:**

**Student Services:**

Attendance and Social Work Services:

Salaries	\$ 22,020
Benefits	3,474
Services	1,913
Supplies	112
	<u>27,519</u>

Guidance Services:

Salaries	240,101
Benefits	59,857
Services	32
Supplies	1,689
	<u>301,679</u>

Health Services:

Salaries	33,874
Benefits	11,660
Services	3,101
Supplies	1,744
	<u>50,379</u>

**Total Student Services**

379,577

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Services	7,757
Supplies	3,333
Other	666
	<u>11,756</u>

Educational Media Services:

Salaries	168,529
Benefits	33,221
Services	900
Supplies	21,186
Property	690
	<u>224,526</u>

Other Instructional Staff Support Services:

Salaries	64,944
Benefits	16,963
Services	27,284
Supplies	37,834
Property	30,551
	<u>177,576</u>

**Total Instructional Staff Services**

\$ 413,858

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 1

**Support Services (Continued):**

**Administration Services:**

Executive Administration:

Salaries	\$ 179,295
Benefits	48,617
Services	9,850
Supplies	1,547
Property	2,954
Other	2,240
	<u>244,503</u>

School Administration:

Salaries	520,227
Benefits	172,906
Services	11,520
Supplies	3,008
Property	3,484
	<u>711,145</u>

Business Administration:

Salaries	70,150
Benefits	17,315
Services	9,588
Supplies	143
Property	871
Other	368
	<u>98,435</u>

Board of Education:

Services	33,484
Supplies	10,920
Other	4,888
	<u>49,292</u>

**Total Administration Services:**

1,103,375

**Support Services:**

**Plant Operation and Maintenance:**

Salaries	355,704
Benefits	86,609
Services	166,153
Supplies	347,291
Property	29,087
	<u>\$ 984,844</u>

Continued



**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 1

<b>Support Services (Continued):</b>	
<b>Student Transportation:</b>	
Salaries	\$ 205,363
Benefits	38,718
Services	133,670
Supplies	96,769
Property	75,364
Other	1,289
	<u>551,173</u>
<b>Total Support Services</b>	<u>3,432,827</u>
<b>Non-instructional Programs:</b>	
<b>Community Services:</b>	
Salaries	30,053
Benefits	4,702
	<u>34,755</u>
<b>Other Expenditures:</b>	
AEA Flow-Through	<u>557,266</u>
<b>Total Expenditures</b>	<u>12,816,023</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,070,322</u>
<b>Net Change in Fund Balance</b>	1,070,322
Fund Balance - Beginning of Year	<u>1,346,179</u>
Fund Balance - End of Year	<u>\$ 2,416,501</u>

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GOVERNMENTAL NONMAJOR FUNDS  
JUNE 30, 2012**

	<b>Special Revenue Funds</b>		
	<b>Management Levy</b>	<b>Student Activity</b>	<b>Debt Service</b>
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 132,008	\$ 164,679	\$ -
Receivables:			
Property Tax	1,970	-	-
Succeeding Year Property Tax	304,999	-	-
Accounts	-	12,187	-
Due from Other Governments	-	-	-
Restricted Assets:			
Cash and Pooled Investments	-	-	-
Total Assets	438,977	176,866	-
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	-	32,280	-
Early Retirement Payable	-	-	-
Deferred Revenue - Succeeding Year			
Property Taxes	304,999	-	-
Total Liabilities	304,999	32,280	-
Fund Balances:			
Restricted For:			
Debt Service	-	-	-
Student Activities	-	144,586	-
Management Levy	133,978	-	-
Physical Plant and Equipment	-	-	-
School Infrastructure	-	-	-
Total Fund Balances	133,978	144,586	-
Total Liabilities and Equity	\$ 438,977	\$ 176,866	\$ -

**Schedule 2**

<b>Capital Projects</b>			
<b>Physical Plant and Equipment Levy</b>	<b>Statewide Sales, Services, and Use Tax</b>	<b>Total</b>	
\$ 16,564	\$ 83,943	\$	397,194
1,016	-		2,986
161,300	-		466,299
-	-		12,187
12,722	185,351		198,073
-	61,718		61,718
191,602	331,012		1,138,457
26,631	611		59,522
-	-		-
161,300	-		466,299
187,931	611		525,821
-	61,718		61,718
-	-		144,586
-	-		133,978
3,671	-		3,671
-	268,683		268,683
3,671	330,401		612,636
\$ 191,602	\$ 331,012	\$	1,138,457

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Special Revenue Funds</b>		
	<b>Management Levy</b>	<b>Student Activity</b>	<b>Debt Service</b>
<b>REVENUE:</b>			
Local Sources:			
Local Tax	\$ 265,401	\$ -	\$ -
Other	16,944	362,227	-
State Sources	169	-	-
Total Revenue	282,514	362,227	-
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular Instruction	106,832	-	-
Other Instruction	-	373,030	-
Support Services:			
Student Services	16,683	-	-
Instructional Staff Services	16,945	-	-
Administration Services	29,265	-	-
Operation and Maintenance	60,434	829	-
Transportation Services	22,311	-	-
Other Expenditures:			
Facilities Acquisition and Construction	-	-	-
Long-term Debt:			
Principal	-	-	668,385
Interest and Fiscal Charges	-	-	95,544
Total Expenditures	252,470	373,859	763,929
Excess (Deficiency) of Revenues Over Expenditures	30,044	(11,632)	(763,929)
Other Financing Sources (Uses):			
Transfers In	-	-	763,929
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	763,929
Net Change in Fund Balance	30,044	(11,632)	-
Fund Balances - Beginning of Year	103,934	156,218	-
Fund Balances - End of Year	\$ 133,978	\$ 144,586	\$ -

**Schedule 3**

<b>Capital Projects</b>			
<b>Physical Plant and Equipment Levy</b>	<b>Statewide Sales, Services, and Use Tax</b>		<b>Total</b>
\$ 153,496	\$ 1,168,046	\$	1,586,943
15,697	6,962		401,830
87	-		256
169,280	1,175,008		1,989,029
-	109,152		215,984
1,302	-		374,332
57,873	49,917		124,473
-	-		16,945
-	-		29,265
56,337	-		117,600
-	89,995		112,306
190,394	114,300		304,694
-	-		668,385
-	-		95,544
305,906	363,364		2,059,528
(136,626)	811,644		(70,499)
-	-		763,929
(10,818)	(753,111)		(763,929)
(10,818)	(753,111)		-
(147,444)	58,533		(70,499)
151,115	271,868		683,135
\$ 3,671	\$ 330,401	\$	612,636

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 4

	Balance June 30, 2011	Revenues	Expenditures	Operating Transfers	Balance June 30, 2012
Plays/Musical	\$ 4,901	\$ 2,802	\$ 4,633	\$ -	\$ 3,070
Iowa High School Speech	20	80	5,319	5,283	64
Speech Club	2,251	5,721	6,167	-	1,805
Vocal Robe Rent	500	9,191	188	-	9,503
Iowa High School Music	272	8,560	8,832	-	-
Band Instrument Rent	3,802	5,525	6,037	-	3,290
Band Uniform Rent	8,515	8,040	15,875	-	680
Jazz Band	1,379	1,589	3,784	850	34
Middle School Band	-	1,711	1,682	-	29
Music Gate Receipts	721	5,485	5,251	(850)	105
Peb Club/Cheerleaders	2,276	4,289	3,868	-	2,697
Dance Team	2,346	1,484	1,860	-	1,970
Athletics	25,186	114,882	122,557	(50)	17,461
Boys Basketball	243	110	399	50	4
Dutch Football	7,805	2,933	7,322	-	3,416
Joint Baseball/Softball	236	7,500	7,215	-	521
Joint Baseball/Softball Concessions	4,503	9,295	7,406	-	6,392
Wrestling Concessions	1,286	5,072	5,840	-	518
Youth Wrestling	869	130	-	-	999
Dutch Volleyball	1,752	6,934	2,809	-	5,877
Annual	6,485	15,776	14,820	-	7,441
Industrial Tech./Skills USA	413	-	-	-	413
Student Council	5,089	3,314	3,554	-	4,849
FFA Club	1,748	23,723	24,152	-	1,319
Class of 2018	28	-	-	372	400
Class of 2017	500	-	-	200	700
Class of 2016	800	-	-	200	1,000
Class of 2015	1,000	-	-	-	1,000
Class of 2014	1,500	-	-	-	1,500
Class of 2013	1,500	13,824	13,786	-	1,538
Class of 2012	2,705	-	1,486	(216)	1,003
Class of 2011	997	-	-	(997)	-
Get a Grip	252	-	8	(244)	-
Middle/High School Shop	15	649	279	-	385
Awards	5,621	944	-	(79)	6,486
Miscellaneous	6,561	15,666	13,401	(3,719)	5,107
Concessions	11,182	14,610	14,128	-	11,664
National Honor Society	1,340	300	1,521	-	119
Middle School Student Council	866	4,552	4,768	-	650
Middle School Magazines	12,087	41,341	37,940	(800)	14,688
Middle School Book Club	81	-	-	-	81
Middle School Pictures	2,299	859	514	-	2,644
Reading Counts	8,516	2,483	1,228	-	9,771

(Continued)

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

					Schedule 4
	Balance June 30, 2011	Revenues	Expenditures	Operating Transfers	Balance June 30, 2012
Orange City Outdoor Education	4,889	14,990	16,240	-	3,639
Orange City Elementary Pictures	8,671	6,921	8,051	-	7,541
Orange City Elementary Book Club	321	100	215	-	206
Orange City Elementary Care Fund	415	-	-	-	415
Hospers Elementary Pictures	1,474	842	724		1,592
Totals	\$ 156,218	\$ 362,227	\$ 373,859	\$ -	\$ 144,586

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

				<b>Schedule 5</b>
	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2012</b>
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 18,616	\$ 115,372	\$ 116,693	\$ 17,295
Total Assets	18,616	115,372	116,693	17,295
<u>Liabilities</u>				
Other Payables	18,616	115,372	116,693	17,295
Total Liabilities	18,616	115,372	116,693	17,295
 <b><u>Band Parents</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	48,383	762,139	706,699	103,823
Total Assets	48,383	762,139	706,699	103,823
<u>Liabilities</u>				
Other Payables	48,383	762,139	706,699	103,823
Total Liabilities	48,383	762,139	706,699	103,823
 <b><u>Totals</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	66,999	877,511	823,392	121,118
Total Assets	66,999	877,511	823,392	121,118
<u>Liabilities</u>				
Other Payables	66,999	877,511	823,392	121,118
Total Liabilities	\$ 66,999	\$ 877,511	\$ 823,392	\$ 121,118



**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE NINE YEARS ENDED JUNE 30, 2012**

	Modified Accrual Basis of Accounting			
	2012	2011	2010	2009
Revenues:				
Local Sources:				
Local Tax	\$ 6,680,313	\$ 6,813,563	\$ 6,177,551	\$ 5,920,879
Tuition	306,496	251,986	213,050	206,596
Other	694,908	596,633	517,985	516,071
State Sources	7,484,581	6,763,471	6,006,701	6,855,748
Federal Sources	709,076	679,637	1,285,219	638,707
Total	15,875,374	15,105,290	14,200,506	14,138,001
Expenditures:				
Instruction:				
Regular	6,592,324	6,432,633	6,296,032	6,248,844
Special	1,660,435	1,755,192	1,774,807	1,620,557
Other	1,128,732	1,064,930	1,070,482	1,087,334
Support Services:				
Student	504,050	403,605	391,921	387,817
Instructional Staff	430,803	514,136	468,121	471,129
Administration	1,132,640	1,078,132	1,049,388	1,023,237
Operation and maintenance of plant	1,102,444	1,019,203	947,276	971,881
Transportation	663,479	490,124	545,967	547,162
Non-instructional programs	34,755	794	17,917	15,187
Other Expenditures:				
Facilities Acquisition	304,694	162,335	240,797	355,452
Long-term debt:				
Principal	668,385	839,184	805,096	768,865
Interest and other charges	95,544	133,508	167,597	202,359
AEA Flowthrough	557,266	603,338	588,853	522,985
Total	\$ 14,875,551	\$ 14,497,114	\$ 14,364,254	\$ 14,222,809

**Schedule 6**

<b>Modified Accrual Basis of Accounting</b>				
<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
\$ 5,742,777	\$ 5,717,087	\$ 5,422,730	\$ 5,617,211	\$ 4,988,529
227,197	245,447	238,086	203,510	186,899
595,337	653,974	796,282	558,505	432,540
6,350,048	5,662,514	5,230,501	5,180,289	4,692,680
585,683	356,122	408,004	389,042	431,026
13,501,042	12,635,144	12,095,603	11,948,557	10,731,674
5,848,218	5,245,267	4,745,983	4,548,117	4,502,074
1,403,884	1,274,833	1,050,820	1,109,891	1,267,711
1,100,724	1,146,584	1,178,431	1,102,055	867,876
365,581	367,276	327,830	298,770	290,962
437,981	474,641	491,826	445,567	489,514
997,004	988,093	966,342	894,523	842,722
926,787	961,151	851,118	696,566	646,831
497,695	476,459	488,615	435,149	464,428
11,799	12,784	12,896	13,321	14,123
194,210	612,353	3,568,453	3,016,635	298,711
721,864	625,209	600,000	570,000	545,000
236,861	256,253	279,828	74,396	84,535
494,092	460,286	436,066	432,179	435,808
\$ 13,236,700	\$ 12,901,189	\$ 14,998,208	\$ 13,637,169	\$ 10,750,295

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

			Schedule 7
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	\$ 32,477
National School Lunch Program	10.555	FY12	237,049 **
			<u>269,526 *</u>
Team Nutrition Grant	10.574	FY12	293
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY12	117,407
Career and Technical Education - Basic Grants to States	84.048	FY12	12,745
Improving Teacher Quality State Grants	84.367	FY12	44,070
Grants for State Assessments & Related Activities	84.369	FY12	8,931
Education Jobs Fund	84.410	FY12	270,463 *
Northwest Area Education Agency:			
Special Education - Grants to States	84.027	FY12	90,166
English Language Acquisition Grants	84.365	FY12	<u>7,307</u>
Total			<u><u>\$ 820,908</u></u>

\* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs.

\*\* Includes \$46,905 of non-cash awards.

**BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the MOC-Floyd Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 8**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.410 – Education Jobs Fund
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) MOC-Floyd Valley Community School District did not qualify as a low-risk auditee.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 8**

---

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**MATERIAL WEAKNESS:**

**II-A-12 Financial Reporting**

Comment – During the audit, we identified material amounts of capital asset additions and deletions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital asset additions and deletions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any capital asset transactions or other adjustments.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA # 10.553: School Breakfast Program  
CFDA # 10.555: National School Lunch Program  
Federal Award Year: 2012  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education**

**III-A-12 Observation** - During our testing of eligibility for free/reduced lunches we noted one instance of noncompliance where a student was initially awarded free lunch status but should have been placed on reduced status.

Recommendation – The District should insure that all applications for the Free/Reduced Lunch Program are properly completed. All employees involved in computing eligibility should be properly trained. To insure proper completion the District should continue to review the completed applications on a timely basis before students are awarded free or reduced status.

Response – We will review with the District employees, the proper completion of the free/reduced lunch applications. We will ensure that the income calculations are made correctly by adding an extra step in our verification process. All applications will be entered in the state's online calculation program and printed out and attached to each application to ensure proper calculations.

Conclusion – Response accepted.

**SIGNIFICANT DEFICIENCIES:**

No matters were reported.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 8**

**Part IV: Other Findings Related to Statutory Reporting**

- IV-A-12      Certified Budget – Disbursements for the year ended June 30, 2012 did not exceed amounts budgeted.
- IV-B-12      Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-12      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-12      Business Transactions – Business transactions between the District and District Officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gerald Van Roekel, Board Member Part-owner of Van Engelenhoven Agency	Insurance	\$156,972

This transaction may represent a conflict of interest and the District should contact legal council for determination.

- IV-E-12      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-12      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-12      Certified Enrollment – A variance of -.22 was identified in the basic enrollment data certified to the Iowa Department of Education in October, 2011.
- IV-H-12      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-12      Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-K-12      Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE 8**

**Part IV: Other Findings Related to Statutory Reporting – (Continued)**

IV-L-12      Statewide Sales, Services, and Use Tax – No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 271,868
Statewide Sales and Services Tax Revenue	\$1,168,046	
Other Local Revenues	6,962	1,175,008
		<u>1,446,876</u>
Expenditures/transfers out:		
Equipment	159,069	
Vehicles	89,995	
School infrastructure construction	24,300	
Soccer facility contribution	90,000	
Transfers to other funds:		
Debt Service	753,111	1,116,475
Ending Balance		<u>\$ 330,401</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-12      Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We found no accounts that didn't appear to be extracurricular or co-curricular in nature.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 8

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**Part V: Findings – Year Ended June 30, 2011:**

There were no prior year audit findings





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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
MOC-Floyd Valley Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2012, which collectively comprise the MOC-Floyd Valley Community School District's basic financial statements, and have issued our report thereon dated October 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

Management of MOC-Floyd Valley Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MOC-Floyd Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiency described as II-A-12 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether MOC-Floyd Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are

required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the district. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

MOC-Floyd Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit MOC-Floyd Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom the MOC-Floyd Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 29, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the  
MOC-Floyd Valley Community School District:

Compliance:

We have audited the compliance of MOC-Floyd Valley Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. MOC-Floyd Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of MOC-Floyd Valley Community School District's management. Our responsibility is to express an opinion on MOC-Floyd Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MOC-Floyd Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on MOC-Floyd Valley Community School District's compliance with those requirements.

In our opinion MOC-Floyd Valley Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12.

Internal Control Over Compliance:

The management of the MOC-Floyd Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

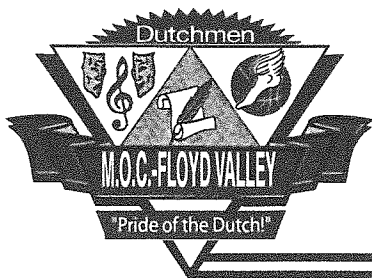
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

MOC-Floyd Valley Community School District's response to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's responses, we did not audit MOC-Floyd Valley Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom MOC-Floyd Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 29, 2012



# M.O.C.-Floyd Valley Community School

Gary Richardson, Superintendent of Schools

1301 8th Street SE, P.O. Box 257

Orange City, Iowa 51041

Phone (712) 737-4873

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## Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2012

### Department of Education:

MOC-Floyd Valley Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2012.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2012.

The finding from the June 30, 2012 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

### INSTANCE OF NONCOMPLIANCE:

III-A-12 – National School Lunch Program CFDA #10.553 and 10.555.

Recommendation – The District should ensure that all applications for the Free/Reduced Lunch Program are properly completed. All employees involved in computing eligibility should be properly trained. To insure proper completion the District should continue to review the completed applications on a timely basis before students are awarded free or reduced status.

Response – We will review with the District employees the proper completion of the free/reduced lunch applications. We will ensure that the income calculations are made correctly by adding an extra step in our verification process. All applications will be entered in the state's online calculation program and printed out and attached to each application to ensure proper calculations. We will strive to have the review process completed before eligibility status is awarded.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Gary Richardson at 712-737-4873.

Sincerely yours,

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

Gary Richardson, Superintendent

High School  
615 8th Street SE  
Orange City, Iowa 51041  
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Russ Adams, Principal

Middle School  
1104 5th Avenue  
Alton, Iowa 51003  
(712) 756-4128  
John VandeWeerd, Principal

Orange City Elementary  
312 1st Street SW  
Orange City, Iowa 51041  
(712) 737-4606  
Mike Landhuis, Principal

Hospers Elementary  
201 4th Avenue S.  
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Marcia De Graaf, Principal